

Message Text

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ACTION EB-08

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C O N F I D E N T I A L BUENOS AIRES 6270

C O R R E C T E D C O P Y (TEXT)

E.O. 11652: GDS
TAGS: EINV, AR
SUBJECT: INVESTMENT DISPUTE -- DELTEC CASE

REF: BUENOS AIRES A-32

1. ENRIQUE HOLMBERG, LOCAL REPRESENTATIVE OF DELTEC, CALLED ON ECONOMIC/COMMERCIAL COUNSELOR AUGUST 10 TO BRIEF HIM ON RECENT DEVELOPMENTS IN THE DELTEC CASE. HE SAID THAT, WHEN GOVERNOR CONNALLY MET WITH PRESIDENT VIDELA LAST MAY, THE PRESIDENT REQUESTED MINISTER OF ECONOMY MARTINEZ DE HOZ TO CREATE A WORKING GROUP TO FIND THE SOLUTION TO THE DELTEC PROBLEM. AT THE TIME, MARTINEZ DE HOZ HAD PRESENTED A STRONG PLEA FOR THE WORKING GROUP TO BE SOLELY UNDER HIS AUTHORITY, WITHOUT THE PARTICIPATION OF REPRESENTATIVES OF THE ARMED FORCES -- OSTENSIBLY BECAUSE OF HIS DESIRE TO FIND A QUICK SOLUTION TO THE PROBLEM.

2. SOME WEEKS LATER, ENRIQUE HOLMBERG FOUND OUT THAT THE SECRETARIES GENERAL OF THE ARMED FORCES, WHO HAD BEEN CONSULTED ON THE MATTER, HAD WRITTEN MARTINEZ DE HOZ GIVING THEIR CONCURRENCE TO THE FORMATION OF THE
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WORKING GROUP FOR THE DELTEC CASE SOLELY UNDER HIS AUTHORITY. HOLMBERG FOLLOWED UP WITH MARTINEZ DE HOZ AND, MUCH TO HIS SURPRISE, WAS TOLD BY THE MINISTER THAT THE FORMULA FOR HANDLING THE MATTER WAS NOW UNACCEPTABLE. CONTRADICTING HIS EARLIER POSITION, MARTINEZ DE HOZ NOW INSISTED THAT THE MILITARY BE REPRESENTED ON THE WORKING GROUP, EVEN IF ONLY AS

OBSERVERS. MARTINEZ DE HOZ RECALLED THE DISASTROUS CONSEQUENCES FOR FORMER MINISTER OF ECONOMY KRIEGER VASENA DUE TO HIS INVOLVEMENT WITH DELTEC AND REPORTEDLY TOLD HOLMBERG HE WANTED TO AVOID SIMILAR PROBLEMS FOR HIMSELF. MARTINEZ DE HOZ THEREFORE SAID HE WOULD ASK THE PRESIDENT TO APPOINT SOME MILITARY MEMBERS TO THE WORKING GROUP.

3. HOLMBERG BELIEVES THAT MARTINEZ DE HOZ WILL CONTINUE TO PROCRASTINATE ON THE FORMATION OF THE WORKING GROUP BECASUE HE DOES NOT WANT ANY INVOLVEMENT WITH THIS POLITICALLY SENSITIVE MATTER. HE ALSO INDICATED THAT THE MILITARY THEMSELVES DO NOT WANT TO BE DIRECTLY ASSOCIATED WITH THE WORKING GROUP. HOLMBERG THEREFORE BELIEVES IT MAY BE NECESSARY TO MOUNT ANOTHER MAIL CAMPAIGN TO US CONGRESSMEN -- A FORM OF PRESSURE WHICH APPARENTLY DID HAVE SOME EFFECT ON MARTINEZ DE HOZ THE LAST TIME AROUND.

4. COMMENT: THE DELTEC ASE IS CLEARLY A DANGEROUS POLITICAL FOOTBALL WHICH GOA OFFICIALS ARE RELUCTANT TO TOUCH. MARTINEZ DE HOZ IS PARTICULARLY VULNERABLE AT THE MOMENT BECAUSE OF MOUNTING CRITICISM OF HIS ECONOMIC POLICIES AND CAN ILL AFFORD TO GIVE HIS OPPOSITION FURTHER AMMUNITION. THE DELTEC CASE WILL THEREFORE PROBABLY REMAIN A PROBLEM FOR SOME TIME TO COME.
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